

Background

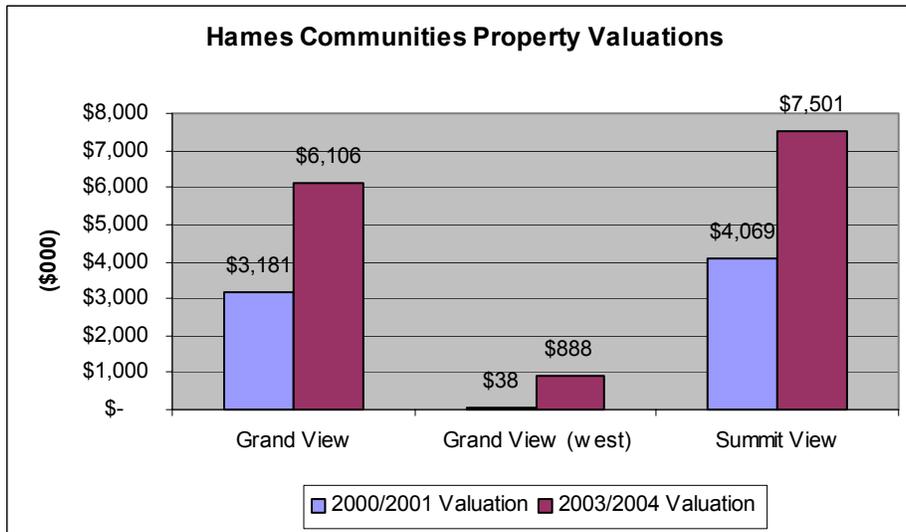
Hames Manufactured Home Communities, LP owns 5 manufactured home communities in 3 Iowa counties, which includes 1132 rent-paying households. These communities are “land lease” communities – residents own their home and rent their home site. The communities are assessed as commercial property even though people reside there.

All Hames communities are well-kept and maintained. We have on-site managers, paved streets, parks, recreation centers and storm shelters at all locations. The largest and newest two communities are Grand View and Summit View in Cedar Rapids.



2003 Revaluation

In Spring of 2003 we received notice from the Cedar Rapids City Assessors office that the value of the 3 largest Cedar Rapids parcels – Grand View, Grand View West, and Summit View – increased by 99%, and tax bills would increase 96%.



Manufactured Housing Presentation

Property Tax Review Committee

September 28, 2004

This increase in taxes was impossible to understand given our increasing vacancy rates, declining revenues and increasing expenses, in the communities:

	May 2000 Occupancy	Mar-03 Occupancy	% Decrease
Grand View	98%	80%	-18%
Summit View	98%	93%	-5%
West Park	100%	90%	-10%
Average	99%	88%	-11%

We decided to fight the increase based on the following:

- Revenue is decreasing and the communities have less value from a cash flow/capitalization point of view. Interest rates on site built housing are low compared to manufactured homes, and a number of residents are opting to move. We have little room to raise rents because of competition from site built homes.
- The manufactured home owners also pay property taxes on the home *in addition* to the property taxes the landlord pays. Again, this makes it a difficult situation to do business and affects the value of the communities.
- These communities are very self sufficient. We don't use a number of city services, so we should get some relief on taxes. For example,
 - we build, fix and maintain our own streets; we plow and sand streets in the winter
 - we purchase and install our own playground equipment; we maintain recreation and common areas
 - we install and repair our own water pipes, sewer pipes, drainage tiles and backflow prevention devices
 - we install and maintain our street lighting
- The property was assessed incorrectly by the city. The land was assessed as developed land, but we were also assessed for the development of each home site. This essentially assessed each acre at over \$65,000, which is outrageous for developed land. We argued that this was "double taxation" of the same property.
- We are required by the city to have a 50 foot buffer zone around the communities, which is not required for site built home developments, apartments and businesses. This buffer land shouldn't be taxed at commercial rates.
- Green space and recreation areas are also required by city code. We shouldn't pay commercial property taxes on land that we're required to use as recreational, non-revenue producing land.

- Streets in site-built housing developments aren't taxed as commercial property. In fact, they're dedicated to the city. We believe the streets in manufactured home communities shouldn't be assessed and taxed either.
- City police are almost non-existent in our communities. We enforce our own rules and speed limits. Managers are on call 24 hours a day in case of resident problems or disturbances.

Appeal Process

Our first step in fighting the increase was to bring our point of view to Vanguard, who was hired by the Cedar Rapids City Assessor to appraise our property.

Result: no change in tax increase.

We then presented our arguments to the City of Cedar Rapids Review Board. Plaintiffs are given 5 minutes per parcel to plead their case, regardless of the size, complexity and value of the property.

Result: property taxes were lowered to "only" a 70% increase.

We were told that only the first bullet point – decreased cash flow – gave the Review Board enough reason to reduce the tax increase. We were informed that when occupancy increases, our property taxes will go up again, in spite of the convoluted valuation scheme for our communities.

Just when we thought it was safe to write our 2004 business budget, the state mandated a 7% equalization order for Cedar Rapids – now a total 77% increase. We again presented our argument before the Review Board.

Result: no reprieve from the equalization order.

So now we've had to present our case 3 times, to get our property tax increase to "only" 77%. And we have two more counties yet to go – Johnson and Cedar.

Results of Property Tax Increases

Increases in taxes of this magnitude can cause four things to happen:

- 1) Owners may increase home site rental to recover costs of increased property taxes.
- 2) Services to residents may be reduced so that cash can be diverted to property taxes. This fulfills the public image of a "trailer park" and downgrades the appearance of the city as a whole.
- 3) The resale value of the homes decrease as home site rental increases in manufactured home communities.
- 4) Tax increases unfairly reduce the supply of affordable housing. Manufactured homes are ideal for young families, single parents, hard working people earning entry level wages, and seniors. These people seek *attractive, safe and affordable* places to live.

The point is worth repeating: **Tax increases on manufactured home communities ultimately hurt the people that can least afford to pay it.**

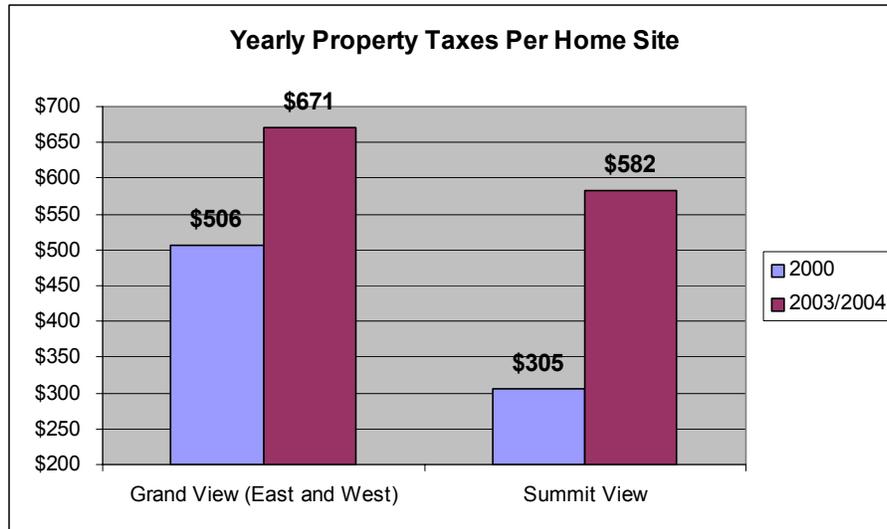
Impact on School Districts

Last year, the Cedar Rapids Community School District experienced a budget crisis in large part due to a net loss of 205 students from the district. Which, in turn, decreased revenue from the state of Iowa.

Hames has 755 spaces zoned for manufactured homes, and a site development plan is on file with the city of Cedar Rapids. (These home sites are not included in the vacancy number above.) Making the home sites more affordable by lowering taxes will attract families to this area, and subsequently increase enrollment and funding for the Cedar Rapids schools.

Comparison with Other States

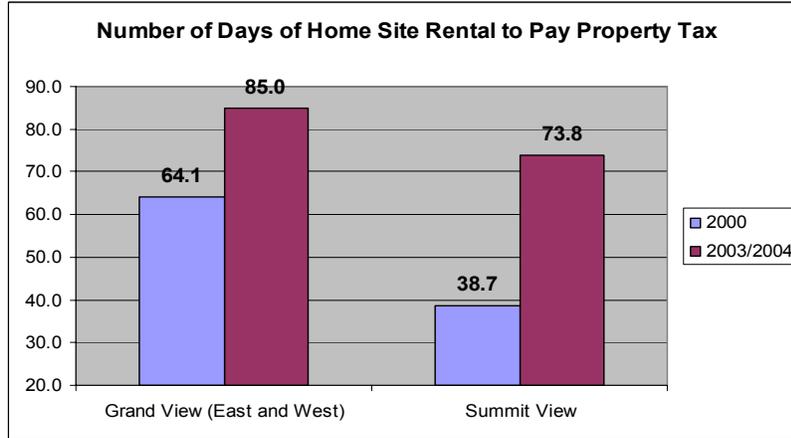
Put in perspective of yearly property taxes per manufactured home site:



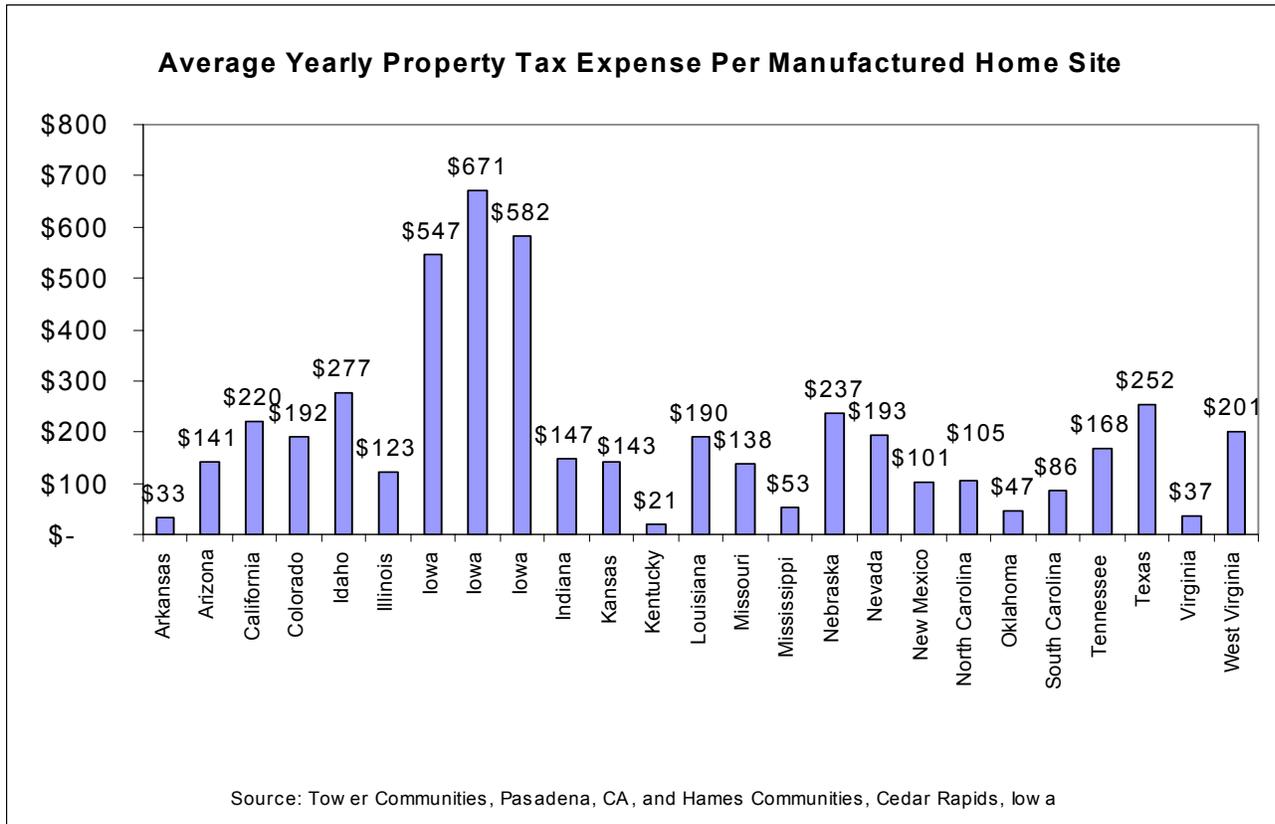
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The number of days that it takes to pay the property taxes per home site is equally dramatic:



Compared with other states, property taxes per manufactured home space in Iowa are more than double the next highest state!



Solutions

There are a number of possible solutions to the taxation problem:

- 1) Reclassify manufactured home communities from commercial to residential, as they have more in common with a housing subdivision than a business location.

In 1995, Missouri changed the classification of manufactured home communities to residential from commercialⁱ. This reduced taxes from 33% to 19%. At the same time, personal property tax on the home itself was eliminated. This is a model that Iowa can certainly look at.
- 2) Reduce the disparity between commercial and residential property taxes in Iowa.
- 3) Provide some tax relief to manufactured home communities for city and county services that we don't need and don't use.
- 4) Find a better way of doing the equalization – across the board increase in valuation of commercial property makes no sense.
- 5) There has to be a better way of doing the Review Board process. Study other states and find a “best practice” for assessing and collecting property taxes.
- 6) Combine city and county assessors offices where it makes sense.
- 7) Decreasing taxes overall, or better yet, improving the business climate to increase state revenues must be a top priority.

Summary

We must consider tax reform for Iowa's manufactured home communities as one of our top priorities. You can see from the facts presented above, property taxation of Iowa's manufactured home communities has evolved to one of the most unfair taxation situations in the state. The Iowa legislature and senate are doing the right thing in looking at ways of making the entire property tax collection system better. You have my full support in this.

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ⁱ House Bill #211; Pettina Duenckel, Executive Director, Missouri Manufactured Housing Association (573) 636-8660